

Message Text

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PAGE 01 TOKYO 17323 231051Z

22-11

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 EUR-08 EA-06 NSC-05 NSCE-00 INR-05

SSO-00 INRE-00 TRSE-00 OMB-01 /043 W

----- 085230

O 231000Z NOV 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC NIACT IMMEDIATE 3758

INFO USMISSION EC BRUSSELS IMMEDIATE

C O N F I D E N T I A L TOKYO 17323

LIMDIS

E. O. 11652: GDS

TAGS: ETRD, JA, EC, US

SUBJ: JAPAN-EC UNDERSTANDING ON TRADE

REF: STATE 286482

SUMMARY:

JAPAN PLANS MODEST PACKAGE IN REACTION TO EUROPEAN CONCERNS WITH TRADE

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IMBALANCE, CONSISTING OF GENERALLY PHILOSOPHICAL LETTERS FROM MIKI TO GISCARD, SCHMIDT AND CALLAGHAN, PLUS A YOSHINO LETTER TO GUNDELACH ON SPECIFIC POINTS. GOJ IS STRAINING TO DESPATCH LETTERS BY THRU-SDAY TO BEAT EC NOV 29 DEADLINE. US REQUEST FOR CONSULTATIONS WAS CLEARLY UNEXPECTED AND THEY WILL HAVE TO ABSORB IT IN DECISION MAKING PROCESS TODAY AND TOMORROW. EMBASSY SUGGESTS THAT SINCE PACKAGE IS MINOR AND SOME PARTS WILL IN ANY CASE HAVE GLOBAL APPLICATION, WE LOOK UPON DISCUSSIONS HERE IN NEXT TWO DAYS AS CONSTITUTING CONSULTATIONS CALLED FOR IN REFTEL. END SUMMARY.

1. AT MEETING PLANNED BEFORE RECEIPT OF REFTEL, ECONMIN REVIEWED WITH MOFA ECON BUREAU DEPTUY DG MIZOGUCHI JAPANESE PLANS FOR RESPONDING TO EUROPEAN CRITICISM OF BILATERAL TRADE IMBALANCE. ECONMIN ALSO REPEATED U.S. REQUEST FOR CONSULTATIONS BEFORE FINAL DECISIONS ARE MADE. MIZOGUCHI SAID GOJ MINISTRIES CONCERNED HAD BEEN WORKING DAY AND NIGHT AGAINST WEEKEND DEADLINE TO PUT TOGETHER A PACKAGE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 17323 231051Z

THAT WOULD SATISFY EC MINISTERS WHO ARE SCHEDULED TO MEET ON MONDAY.

CONTENTS OF THE PACKAGE HAVE NOT BEEN FULLY SETTLED BUT "TWO-LEVEL" APPROACH IS PLANNED.

2. ON HIS OWN INITIATIVE PM MIKI INTENDS TO SEND PERSONAL LETTERS TO GISCARD, SCHMIDT AND CALLAGHAN STRESSING SPIRIT OF DIALOG ENGENDERED BY RAMBOUILLET AND SAN JUAN. LETTERS WILL BE ENTIRELY PHILOSOPHICAL IN TONE AND WILL NOT REFER TO ANY SPECIFIC ISSUE.

3. MOFA VICE MINISTER YOSHINO WILL SIMULTANEOUSLY SEND A LONGER LETTER TO GUNDELACH GIVING A MORE DETAILED RESPONSE. FINAL VERSION HAS NOT YET BEEN WORKED OUT THROUGH INTER-MINISTERIAL CONSULTATIONS, BUT THE LETTER WILL EMPHASIZE THAT JAPAN-EUROPE ECONOMIC PROBLEMS MUST BE PLACED IN A GLOBAL CONTEXT AND THAT ATTENTION SHOULD NOT BE FOCUSED EXCLUSIVELY ON THE BILATERAL TRADE BALANCE. OVER-ALL TRADE BALANCES, INVISIBLE TRADE AND OTHER CAPITAL FLOWS SHOULD ALSO BE TAKEN INTO ACCOUNT.

4. YOSHINO WILL ALSO ADDRESS THREE SPECIFIC QUESTIONS RAISED BY GUNDELACH DURING JAPAN-EC HIGH LEVEL CONSULTATIONS: A) ON JAPANESE CAR EXPORTS TO THE UK, THE GOJ UNDERSTANDS THAT THE INDUSTRY EXPECTS THAT ITS EXPORTS WILL RISE ONLY SLIGHTLY (3 PERCENT) OVER LAST YEAR'S LEVEL. ADDITIONALLY, THE BRITISH AND JAPANESE INDUSTRIES PLAN TO CONTINUE BILATERAL CONSULTATIONS BEGUN LAST YEAR. B) JAPAN'S POSITION ON SHIP BUILDING HAS NOT YET CRYSTALIZED, BUT BASIC JAPANESE ATTITUDE IS THAT THIS ISSUE SHOULD BE HANDLED BY OECD WORKING GROUP. MIZOGUCHI SAID MINISTRY OF TRANSPORTATION MAY AGREE TO CONSULTATIONS ON EXPORTS TO EC ONLY, BUT THIS WOULD NOT SATISFY EUROPEANS BECAUSE REAL ISSUE IS SALES IN THIRD MARKETS. C) ON EUROPEAN DEMANDS FOR INCREASED IMPORTS OF PROCESSED AGRICULTURE PRODUCTS, GOJ IS NOW CONSIDERING (BUT HAS NOT YET DECIDED) LIBERALIZING SOME GLOBAL QUOTAS. GOJ WILL NOT, HOWEVER, AGREE TO ANY BILATERAL QUOTAS FOR EC ONLY. A DECISION ON THIS ISSUE WILL BE MADE THURSDAY AT THE LATEST.

5. MIZOGUCHI SAID EUROPEAN AGITATION ABOUT OTHER PRODUCTS APPEARS TO BE SUBSIDING. STEEL WILL PROBABLY NOT EVEN BE MENTIONED IN THE YOSHINO LETTER. OVER-ALL STEEL EXPORTS TO EUROPE ARE NOT RISING AND THE "BIG SIX" HAVE EXTENDED THEIR AGREEMENT FOR ANOTHER YEAR. AND THE TROUBLESOME ANGLES AND ROLLED STEEL EXPORTS BY SOME 444 SMALLER MANUFACTURERS MAY FALL AS MUCH AS 50 PERCENT NEXT YEAR.
CONFIDENTIAL

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PAGE 03 TOKYO 17323 231051Z

MIZOGUCHI ADDED THAT INDUSTRY TO INDUSTRY TALKS HAVE ALSO APPARENTLY RESOLVED PROBLEMS IN ELECTRONICS, WHILE THE EC ANTI-DUMPING INVESTIGATION OF BEARINGS HAS RELIEVED PRESSURE IN THAT QUARTER.

6. MIZOGUCHI SAID HE HAD NOT YET SEEN A REPORTING CABLE ON THE TOGO-DENT MEETING AND THAT HE HAD NO AUTHORITY TO GIVE A GOJ RESPONSE TO THE USG REQUEST FOR CONSULTATIONS. MIZOGUCHI ASSURED US, HOWEVER, THAT HE WOULD GIVE US CONTENTS OF BOTH MIKI AND YOSHINO

LETTERS AS SOON AS THEY ARE AGREED UPON. SPEAKING PERSONALLY HE SAID THAT HE COULD NOT SEE HOW THE MIKI MISSIVE WOULD GIVE US ANY TROUBLE SINCE IT WOULD BE WHOLLY PHILOSOPHICAL. AS FOR THE YOSHINO LETTER, HE NOTED THAT THE GOJ WILL NOT BE MAKING ANY OFFICIAL COMMITMENTS EXCEPT IN AGRICULTURE AND POSSIBLY CIGARETTES. THE GOJ, MIZOGUCHI SAID, HAS CAREFULLY AVOIDED MAKING ANY COMMITMENT, WRITTEN OR ORAL, TO VOLUNTARY RESTRAINTS IN LARGE MEASURE OUT OF CONSIDERATION FOR REPERCUSSIONS ELSEWHERE, INCLUDING AND ESPECIALLY IN THE US.

7. COMMENT: DECISION MAKING PROCESS HERE IS MOVING AS FAST AS POSSIBLE IN JAPANESE CONTEXT WITH EXTENSIVE MEETINGS EVEN TODAY WHICH IS JAPANESE THANKSGIVING. PRACTICAL REACTION TO EC CONCERN HAS BEEN WHITTLED DOWN TO (A) MODEST REASSURANCES ON AUTOS TO UK, (B) UNDERTAKING TO ENGAGE IN LIMITED TALKS LATER ABOUT SHIPBUILDING, AND (C) SOME POSSIBLE OPENING OF GLOBAL QUOTAS AND PROCESSED AGRICULTURAL PRODUCTS. NEGATIVE IMPACT ON THESE MEASURES ON US SHOULD IN PRACTICE BE MINIMAL OR NON-EXISTENT, AND WE SHOULD BENEFIT IN AGRICULTURAL AREA.

PRIME MINISTER'S UNEXPECTED SEIZING OF ISSUE HAS FURTHER COMPLICATED DECISION MAKING. BUREAUCRATES HAVE BEEN SCURRYING TO PUT TOGETHER MINIMAL PACKAGE THAT WILL SEEM RESPONSIVE TO VARIOUS PRESSURES THEY FEEL. BESET WITH INTER-MINISTERIAL DISPUTES, THEY HAVE NOT ON THIS THANKSGIVING DAY FULLY ABSORBED SIGNIFICANCE OF U.S. REQUEST FOR CONSULTATIONS AND HOW IT CAN BE FIT INTO THE SCHEDULE THEY HAVE BEEN WORKING ON.

EMBASSY SUGGESTS WASHINGTON AGENCIES GIVE US PROMPT SUBSTANTIVE REACTION TO PACKAGE BY END OF WASHINGTON WORKING DAY TUESDAY, NOV 23. IF YOU SHARE OUR VIEW THAT PRACTICAL IMPACT ON US IS MINIMAL AND THAT PSYCHOLOGICAL IMPACT IS MANAGEABLE, WE WILL TRY TO GET GOJ ANNOUNCEMENT THAT PACKAGE WAS WORKED OUT IN CONSULTATION WITH U.S. IN SPIRIT OF RAMBOUILLET AND SAN JUAN AND THAT MEASURES WILL BE ADMINISTERED IN MANNER THAT DOES NOT DISTURB TRADING

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PAGE 04 TOKYO 17323 231051Z

RELATIONSHIP WITH U.S. AND OTHER TRADING PARTNERS.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE BALANCE, TRADE LIBERALIZATION, EXPORTS, DIPLOMATIC COMMUNICATIONS, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO17323
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760435-0827
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761121/aaaaargq.tel
Line Count: 156
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 76 STATE 286482
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAY 2004 by ShawDG>; APPROVED <28 JUL 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAPAN-EC UNDERSTANDING ON TRADE
TAGS: ETRD, PDIP, PORG, JA, US, EC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006